

Financial Statements

**Charter Township of Vienna
Genesee County, Michigan**

Fiscal Year Ended December 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Vienna	County Genesee
Audit Date 12/31/04	Opinion Date 3/11/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

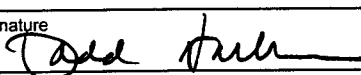
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 East Court Street, Suite 1A		City Flint	State MI
Accountant Signature 		ZIP 48502	Date 6-1-05

**Charter Township of Vienna
Financial Statements
For the Fiscal Year Ended December 31, 2004**

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Charter Township of Vienna
Financial Statements
For the Fiscal Year Ended December 31, 2004

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**Charter Township of Vienna
Genesee County, Michigan
List of Elected, Civil and Appointed Officials
December 31, 2004**

Anthony McKerchie, Supervisor

Richard Scott, Clerk

Paul Luttenbacher, Treasurer

Dennis Fuller, Trustee

Kathy Ridley, Trustee

Randy Taylor, Trustee

Michael J. Zinn, Trustee

Robert Palmer, Superintendent

Report of Independent Auditors

The Honorable Members
of the Township Board of the
Charter Township of Vienna
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities of the Charter Township of Vienna, Genesee County, Michigan (Township) as of December 31, 2004, and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note IB, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2004.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the discretely presented component unit of the Charter Township of Vienna, Michigan at December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on page 4 and the information in the required supplementary information section on pages 42 and 43 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Township's basic financial statements. The supplementary section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

BKR Dupuis & Ryden

Certified Public Accountants
Flint, Michigan

March 17, 2005

Management's Discussion and Analysis

Charter Township of Vienna Management's Discussion and Analysis

As management of the Charter Township of Vienna, we offer readers of Vienna Township's financial statements this narrative overview and analysis of the financial activities of Vienna Township for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our notes to financial statements, which can be found on pages 19-36 of this report.

Financial Highlights

- The assets of Vienna Township exceeded its liabilities at the close of the most recent fiscal year by \$13,612,246 (*net assets*). Of this amount, \$4,292,238 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizen's and creditors.
- The government's total net assets increased 6.6%, amounting to \$839,335.
- As of the close of the current fiscal year, Vienna Township's governmental funds reported combined ending fund balances of \$2,769,677, a decrease of \$68,168 in comparison with the prior year. Approximately 99% of this amount, \$2,759,512, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,828,526, or 82% of total general fund expenditures.
- Vienna Township's total debt increased 13.3% during the current fiscal year. The key factor in this increase was the acquisition of new installment purchase debt amounting to \$500,000 for the expansion of a sewer line. The tax increment financing revenues of the component unit Business Development Authority will be the primary source of repayment on this new debt incurred.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Vienna Township's basic financial statements. Vienna Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Vienna Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Vienna Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator as whether the financial position of Vienna Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to then change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of Vienna Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Vienna Township include general government, public safety, public service, sanitation and retiree medical benefits. The business-type activities of Vienna Township include a Water Supply and Sewer Disposal Fund.

The government-wide financial statements include not only Vienna Township itself (known as the *primary government*), but also a legally separate component unit known as the Vienna Township Business Development Authority for which Vienna Township is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 7-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Vienna Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Vienna Township can be divided into three categories: governmental funds, proprietary funds, special revenue funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balanced of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluation a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Vienna Township maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the sanitation fund, both of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Vienna Township adopts an annual appropriated budget for its general fund and its major sanitation fund. A budgetary comparison statement has been provided for the general fund and sanitation fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10-12 of this report.

Proprietary funds. Vienna Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Vienna Township uses enterprise funds to account for its Water Supply and Sewage Disposal Activities.

Special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Vienna Township reports four special revenue funds, which are the Community Block Grant Program Fund, the Building Fund, the Retirement Health Care Benefit Fund, and the Debt Service Fund. The special revenue funds financial statements can be found on pages 39-44 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support Vienna Township's own programs. The property tax collection fund is a fiduciary fund and its financial statements can be found on page 45 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-36 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of Vienna Township, assets exceeded liabilities by \$13,612,246 at the close of the most recent fiscal year.

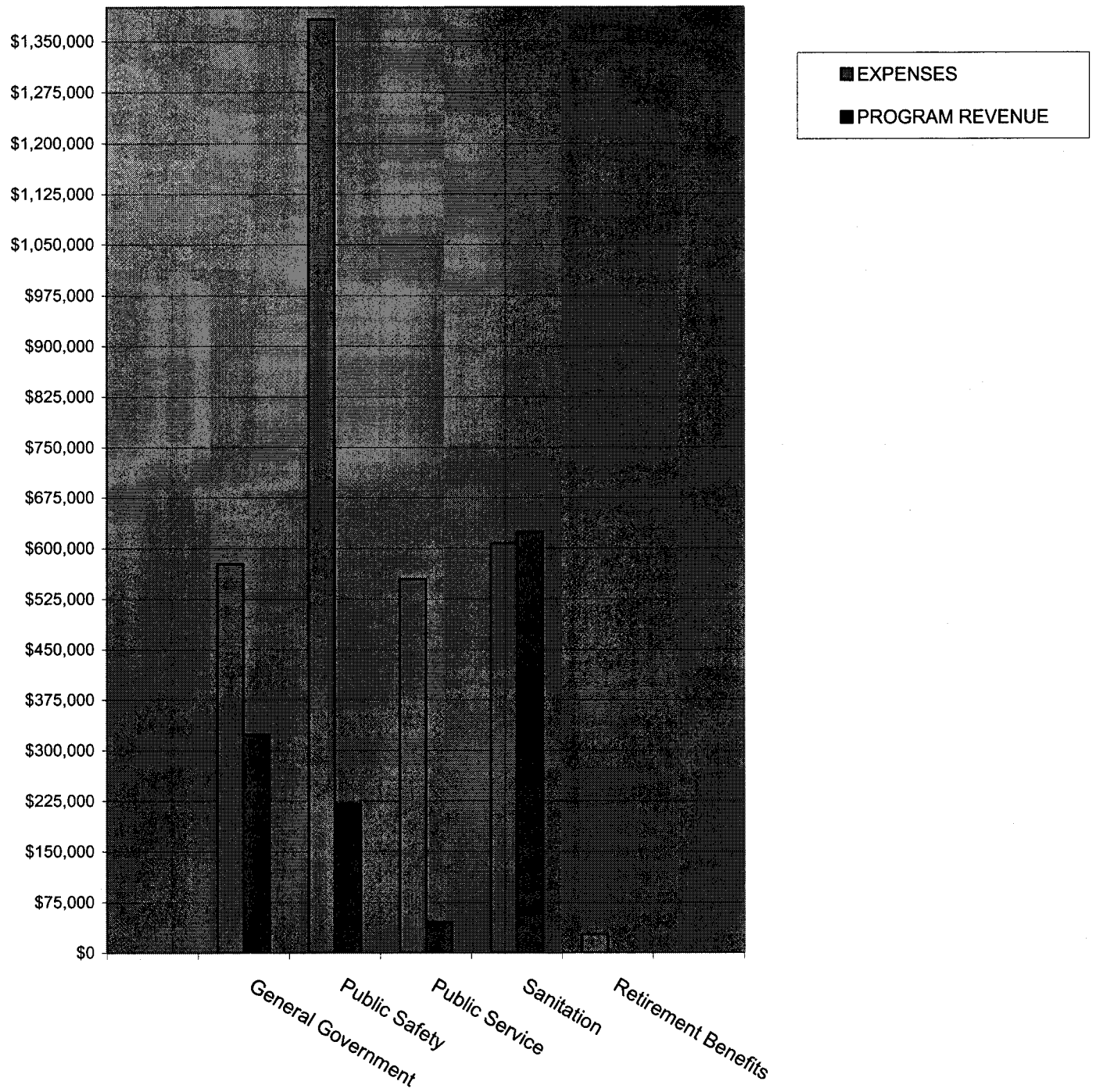
By far the largest portion of Vienna Township's net assets (61.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. Vienna Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Vienna Township's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Vienna Township's net assets (6.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$4,292,238) may be used to meet government's ongoing obligations to citizens and creditors.

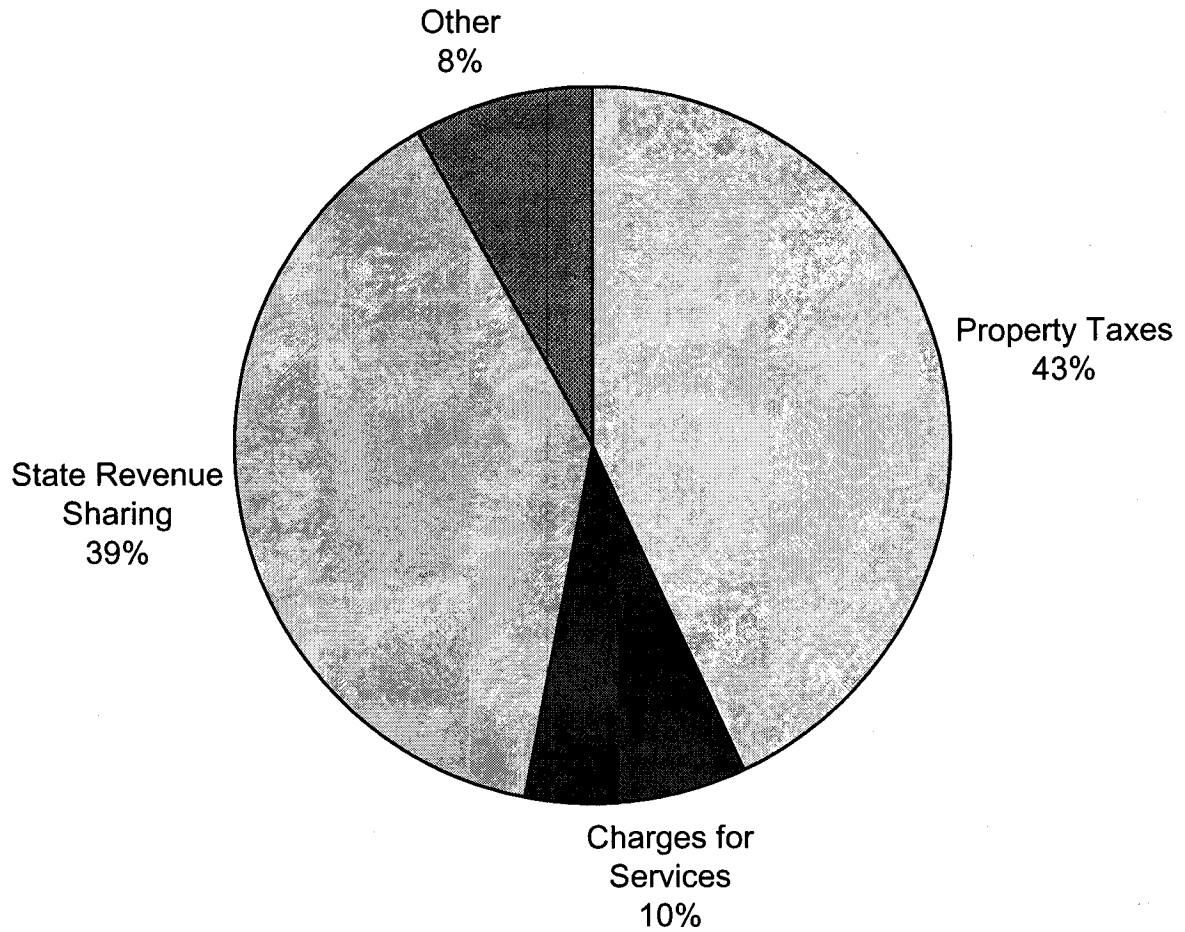
At the end of the current fiscal year, Vienna Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased Vienna Township's net assets by \$99,306, thereby accounting for only 11.8% of the total growth in the net assets of Vienna Township. A main factor in such a small percentage can be attributed to the constant cuts in State Revenue Sharing and the loss on disposal of capital assets.

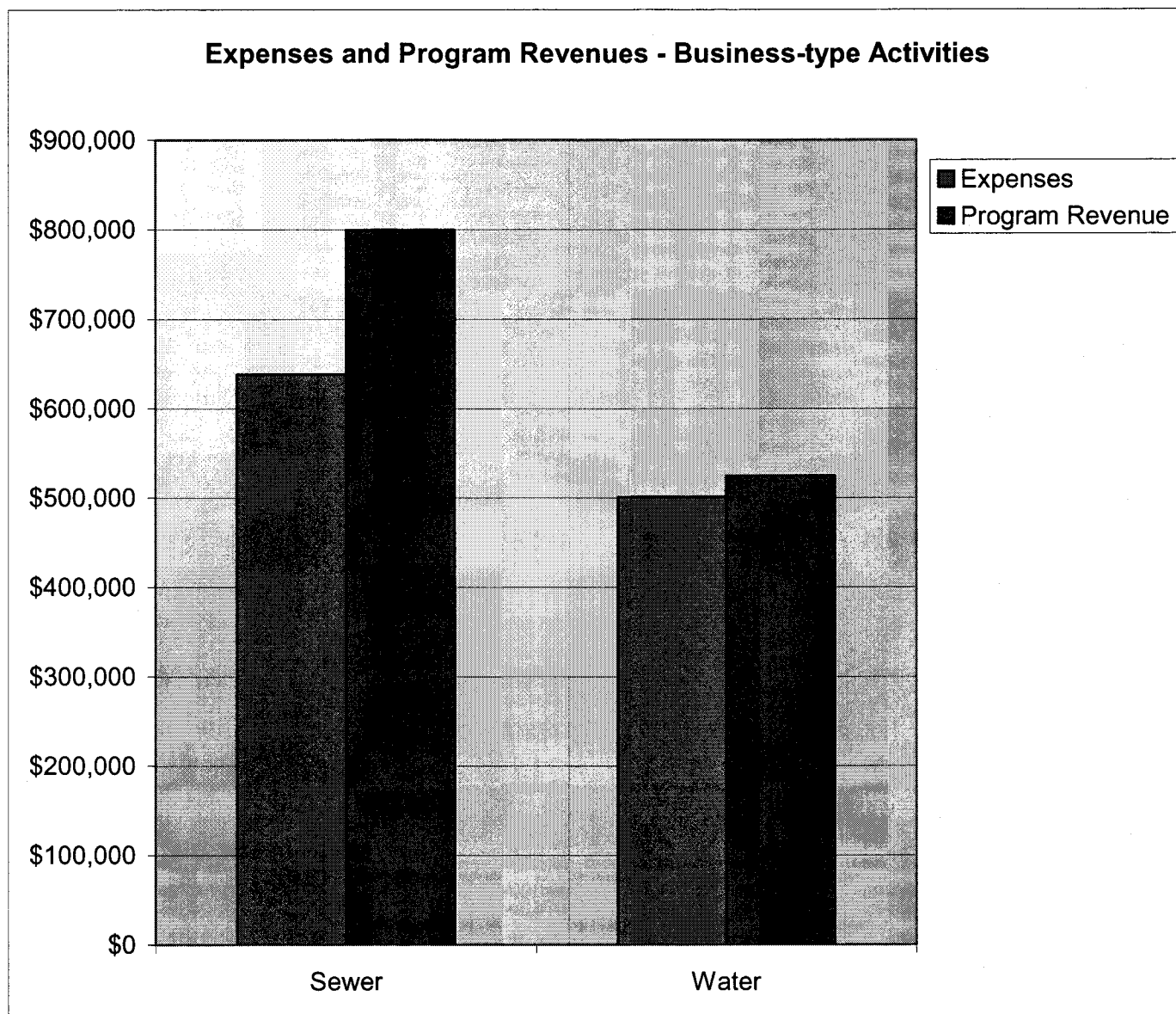
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased Vienna Township's net assets by \$740,029, accounting for 88.2% of the total growth in the government's net assets. The key elements of this increase are customer contributions received amounting to \$260,796 and a \$542,285 transfer of capital from other Township funds.



Financial Analysis of the Government's Funds

As noted earlier, Vienna Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Vienna Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Vienna Township's financial requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Vienna Township's governmental funds reported combined ending fund balances of \$2,769,677, a decrease of \$68,168 in comparison with the prior year. Approximately 99% of this amount (\$2,759,512) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay for prepaid items (\$953) and 2) to pay for debt service (\$9,212).

The general fund is the chief operating fund of Vienna Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,828,479. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 82.5% of total general fund expenditures, while total fund balance of all governmental funds (\$2,769,677) represents 125% of that same amount.

The fund balance of Vienna Township's general fund increased by \$254,303 during the current fiscal year. Key factors in this growth are as follows:

- The township operating millage rate was increased from 1.04 mills to 2.04 mills. The 1.00 mill that was previously levied for township debt was rolled over to the township operating millage. This created an increase in tax revenues of 40.3% (\$321,340) in the general fund.
- Charges for services increased 8.7% amounting to \$21,860. A majority of this can be attributed to a large increase from the prior year of the sale of cemetery lots and the sale of assets.
- State Revenue Sharing decreased 3.7% (\$39,167). This decrease in revenue offsets the large increase in tax revenues.

Proprietary funds. Vienna Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$1,201,134. The total growth in net assets for both funds was \$740,029. Other factors concerning the finances of these two funds have already been addressed in the discussion of Vienna Township's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor (\$53,550 decrease in expenditures) and can be briefly summarized as follows:

- \$173,700 decrease in public service that was not allocated for a road bond payment originally budgeted.
- \$84,100 in increases allocated to public safety for police services.
- \$17,400 in increases allocated to township hall and grounds.
- \$16,400 in increases allocated to township board.

During the year, revenues and expenditures were \$11,809 and \$138,312 less than budgetary estimates respectively thus creating a favorable variance of \$126,503 in excess revenue over expenditures.

Economic Factors and Next Year's Budgets and Rates

- Over the last five years Vienna Township has averaged approximately 100 new housing units constructed annually. There are currently four major active developments, and four more in the planning stages. This growth will be reflected in an increased State Equalized Value, tax revenues, sewer and water usage, and building fee revenues.
- Vienna Township is a major commercial center for Northern Genesee County. Currently there are three projects under construction and three more in the planning stages. This continuous growth will also be reflected in an increased State Equalized Value, tax revenues, sewer and water usage and building fee revenues.

The positive trends shown below support the budget expenditures for continued new development and corresponding revenue increases for the next year.

<u>Year</u>	<u>Total State Equalized Value</u>
2000	\$270,060,000
2001	\$299,280,000
2002	\$328,830,000
2003	\$355,540,000
2004	\$379,770,000
2005	\$414,070,000

Over the last 5 years, Vienna Township has averaged over \$200,000 annually in contributions (primarily tap-in fees) to finance the construction of additional water and sewer lines. In 2004, the contributions amounted to \$208,500. Vienna Township plans to construct and add to its sewer and water infrastructure in the upcoming years.

During the current fiscal year, unreserved fund balance in the general fund increased to \$1,829,479. Vienna Township has appropriated \$437,500 of this amount for spending in the 2005 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2005 fiscal year.

The Water Supply Authority's rates were increased to reflect the *ready to serve* rates and fees incurred from the Genesee County Water and Waste Department for the 2005 budget year. Vienna Township residents, who are connected to the water system, will now be charged for the actual amount of water consumed rather than being charged based on a set scale. The water rates were increased by an average of 2.7% percent for all customers. These rate increases were necessary to finance the contractual services and fees charged for water usage.

Requests for Information

The financial report is designed to provide a general overview of Vienna Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Supervisor, 3400 W. Vienna Road, Vienna Township, Clio MI, 48420.

Basic Financial Statements

Government-wide Financial Statements

Charter Township of Vienna
Statement of Net Assets
December 31, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Building Development Authority
Assets				
Cash and equivalents	\$ 1,454,918	\$ 943,496	\$ 2,398,414	\$ 434,732
Investments	562,904	-	562,904	-
Receivables	1,975,161	422,577	2,397,738	-
Due from other governments	185,416	-	185,416	-
Internal balances	(30,837)	30,837	-	-
Prepaid items	953	-	953	-
Capital assets (net of accumulated depreciation)	1,968,862	8,241,613	10,210,475	96,231
Total assets	<u>\$ 6,117,377</u>	<u>\$ 9,638,523</u>	<u>\$ 15,755,900</u>	<u>\$ 530,963</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 10,479	\$ 18,439	\$ 28,918	\$ 3,202
Due to other governments	105,781	177,337	283,118	-
Noncurrent liabilities:				
Due within one year	-	320,963	320,963	-
Due in more than one year	-	1,510,655	1,510,655	-
Total liabilities	<u>116,260</u>	<u>2,027,394</u>	<u>2,143,654</u>	<u>3,202</u>
Net assets:				
Invested in capital assets, net of related debt	1,968,862	6,409,995	8,378,857	96,231
Restricted for:				
Special revenue	737,713	-	737,713	-
Debt service	9,212	-	9,212	-
Capital projects	193,273	-	193,273	-
Other purposes	953	-	953	-
Unrestricted	3,091,104	1,201,134	4,292,238	431,530
Total net assets	<u>6,001,117</u>	<u>7,611,129</u>	<u>13,612,246</u>	<u>527,761</u>
Total liabilities and net assets	<u>\$ 6,117,377</u>	<u>\$ 9,638,523</u>	<u>\$ 15,755,900</u>	<u>\$ 530,963</u>

See notes to financial statements.

Charter Township of Vienna
Statement of Activities
For the Year Ended December 31, 2004

Functions\Programs	Program revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 554,307	\$ 323,595	\$ -	\$ -
Public safety	1,361,637	221,303	-	-
Public service	543,176	45,558	4,417	12,820
Sanitation	607,577	624,969	-	-
Retirement benefits	27,565	-	-	-
Interest on long-term debt	1,476	-	-	-
Total governmental activities	3,095,738	1,215,425	4,417	12,820
Business-type activities				
Sewer	638,431	621,011	-	178,796
Water	500,934	442,532	-	82,000
Total business-type activities	1,139,365	1,063,543	-	260,796
Total primary government	\$ 4,235,103	\$ 2,278,968	\$ 4,417	\$ 273,616
Component units:				
Business Development Authority	\$ 79,324	\$ -	\$ -	\$ -
Total component units	\$ 79,324	\$ - 0 -	\$ - 0 -	\$ - 0 -
General revenues:				
Property taxes				
Sales tax				
Unrestricted investment earnings				
Unrestricted earnings				
Gain (loss) on disposal of capital assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Business Development Authority
\$ (230,712)	\$ -	\$ (230,712)	\$ -
(1,140,334)	-	(1,140,334)	-
(480,381)	-	(480,381)	-
17,392	-	17,392	-
(27,565)	-	(27,565)	-
(1,476)	-	(1,476)	-
(1,863,076)	-	(1,863,076)	-
-	161,376	161,376	-
-	23,598	23,598	-
-	184,974	184,974	-
(1,863,076)	184,974	(1,678,102)	-
-	-	-	(79,324)
-	-	-	(79,324)
1,211,982	-	1,211,982	304,943
1,013,878	-	1,013,878	-
28,662	12,770	41,432	3,577
-	-	-	500
6,099	-	6,099	-
(298,239)	542,285	244,046	(244,046)
1,962,382	555,055	2,517,437	64,974
99,306	740,029	839,335	(14,350)
5,901,811	6,871,100	12,772,911	542,111
\$ 6,001,117	\$ 7,611,129	\$ 13,612,246	\$ 527,761

Fund Financial Statements

Charter Township of Vienna
Balance Sheet
Governmental Funds
December 31, 2004

	General Fund	Sanitation Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,323,123	\$ 50,251	\$ 81,544	\$ 1,454,918
Investments	296,091	-	266,813	562,904
Receivables (net, where applicable, of allowance for uncollectible accounts):				
Current taxes	1,263,296	-	-	1,263,296
Accounts	83,658	-	263	83,921
Customer assessments	-	620,432	-	620,432
Due from other funds	254,037	-	14,879	268,916
Due from other governments	185,416	-	-	185,416
Prepaid items	953	-	-	953
	<hr/>			
Total assets	\$ 3,406,574	\$ 670,683	\$ 363,499	\$ 4,440,756
<hr/>				
Liabilities				
Accounts payable	\$ 9,481	\$ -	\$ 998	\$ 10,479
Due to other funds	199,255	2,250	90,736	292,241
Due to other governments	105,781	-	-	105,781
Deferred revenue	1,262,578	-	-	1,262,578
	<hr/>			
Total liabilities	1,577,095	2,250	91,734	1,671,079
<hr/>				
Fund Balances				
Reserved for prepaid items	953	-	-	953
Reserved for debt service	-	-	9,212	9,212
Unreserved reported in :				
General fund	1,828,526	-	-	1,828,526
Special revenue funds	-	668,433	69,280	737,713
Capital projects funds	-	-	193,273	193,273
	<hr/>			
Total fund balances	1,829,479	668,433	271,765	2,769,677
	<hr/>			
Total liabilities and fund balances	\$ 3,406,574	\$ 670,683	\$ 363,499	\$ 4,440,756
	<hr/>			

See notes to financial statements.

**Charter Township of Vienna
Reconciliation of the Fund Balance as Reported in the
Governmental Balance Sheet to the Statement of Net Assets
For the Year Ended December 31, 2004**

Total Governmental Funds Fund balance as reported in the Balance Sheet	
Governmental Funds	\$ 2,769,677
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,968,862
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>1,262,578</u>
Net Assets - Governmental Activities	<u><u>\$ 6,001,117</u></u>

See notes to financial statements.

Charter Township of Vienna
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General Fund	Sanitation Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,118,250	\$ -	\$ 1,299	\$ 1,119,549
Customer assessments	-	620,235	-	620,235
Licenses and permits	7,808	-	160,243	168,051
Intergovernmental:				
Federal	-	-	12,820	12,820
State	1,018,295	-	-	1,018,295
Charges for services	271,639	-	-	271,639
Sale of fixed assets	6,099	-	-	6,099
Interest	16,808	2,025	9,829	28,662
Miscellaneous	172,592	4,733	2,162	179,487
Total revenues	2,611,491	626,993	186,353	3,424,837
Expenditures				
Current:				
General government:				
Township Board	190,772	-	-	190,772
Supervisor	65,621	-	-	65,621
Assessor	118,923	-	-	118,923
Elections	9,923	-	-	9,923
Clerk	58,131	-	-	58,131
Treasurer	62,490	-	-	62,490
Township hall and grounds	67,297	-	-	67,297
Cemetery	13,666	-	-	13,666
Planning department	50,549	-	-	50,549
Public safety:				
Police	878,055	-	-	878,055
Fire	291,627	-	-	291,627
Building department	-	-	203,689	203,689
Public service	410,134	-	137,271	547,405
Sanitation	-	607,577	-	607,577
Retirement benefits	-	-	27,565	27,565
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	1,476	1,476
Total expenditures	2,217,188	607,577	370,001	3,194,766
Excess (deficiency) of revenues over expenditures	394,303	19,416	(183,648)	230,071
Other financing sources (uses)				
Transfers in	-	-	140,000	140,000
Transfers out	(140,000)	-	(298,239)	(438,239)
Total other financing sources (uses)	(140,000)	-	(158,239)	(298,239)
Net change in fund balances	254,303	19,416	(341,887)	(68,168)
Fund balances at beginning of year	1,575,176	649,017	613,652	2,837,845
Fund balances at end of year	\$ 1,829,479	\$ 668,433	\$ 271,765	\$ 2,769,677

See notes to financial statements.

**Charter Township of Vienna
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2004**

Amounts reported for governmental activities in the statement of activities (page xx)
are different because:

Net change in fund balances - total governmental funds (page xx)	\$ (68,168)
--	-------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

88,429

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

79,045

\$ 99,306

See notes to financial statements.

Charter Township of Vienna
Statement of Net Assets
Proprietary Funds
Business-type Activities - Enterprise Funds
December 31, 2004

	Sewer Utility	Water Utility	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 579,178	\$ 364,318	\$ 943,496
Receivables:			
Accounts	33,638	-	33,638
Unbilled utility charges	226,173	-	226,173
Delinquent fees	86,995	14,175	101,170
Customer assessments	18,650	17,580	36,230
Tap-in contracts - current portion	1,305	-	1,305
Due from other funds	1,302	224,712	226,014
Total current assets	947,241	620,785	1,568,026
Capital assets:			
Utility system	6,797,348	3,906,425	10,703,773
Office equipment	4,275	-	4,275
Construction in progress	59,973	-	59,973
Total	6,861,596	3,906,425	10,768,021
Less accumulated depreciation	1,653,981	872,427	2,526,408
Net capital assets	5,207,615	3,033,998	8,241,613
Other assets:			
Tap-in contracts receivable - long-term	9,551	14,510	24,061
Total assets	\$ 6,164,407	\$ 3,669,293	\$ 9,833,700

See notes to financial statements.

	Sewer Utility	Water Utility	Totals
Liabilities			
Current liabilities:			
Accounts payable	\$ 1,247	\$ 17,192	\$ 18,439
Due to other funds	181,531	13,646	195,177
Due to other governments	103,150	74,187	177,337
Notes payable - current	256,761	64,202	320,963
Total current liabilities	542,689	169,227	711,916
Other liabilities:			
Long-term - notes payable	1,020,283	490,372	1,510,655
Total liabilities	1,562,972	659,599	2,222,571
Net Assets			
Invested in capital assets, net of related debt	3,930,571	2,479,424	6,409,995
Unrestricted	670,864	530,270	1,201,134
Total net assets	4,601,435	3,009,694	7,611,129
Total liabilities and net assets	\$ 6,164,407	\$ 3,669,293	\$ 9,833,700

See notes to financial statements.

Charter Township of Vienna
Statements of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Business-type Activities - Enterprise Funds
For the Year Ended December 31, 2004

	Sewer Utility	Water Utility	Totals
Operating revenues:			
Charges for services	\$ 596,224	\$ 442,219	\$ 1,038,443
Late charges/penalties	24,787	138	24,925
Miscellaneous	-	175	175
Total operating revenues	621,011	442,532	1,063,543
Operating expenses:			
Contractual services	432,638	365,918	798,556
Depreciation	67,974	65,295	133,269
Maintenance and repair	36,122	-	36,122
Professional services	3,064	595	3,659
Salaries and fringe benefits	41,393	18,675	60,068
Computer billing charge	1,840	1,308	3,148
Office supplies and postage	611	-	611
Insurance	104	40	144
Miscellaneous	960	11,234	12,194
Operating supplies	2,168	1,841	4,009
Total operating expenses	586,874	464,906	1,051,780
Operating income (loss)	34,137	(22,374)	11,763
Non-operating revenues (expenses):			
Interest on investments	3,738	4,084	7,822
Interest on tap-ins	738	3,567	4,305
Interest on notes payable	(51,557)	(35,385)	(86,942)
Interest on long-term advance to Water Fund	643	-	643
Interest on long-term advance from Sewer Fund	-	(643)	(643)
Total non-operating revenues	(46,438)	(28,377)	(74,815)
Income (loss) before contributions and transfers	(12,301)	(50,751)	(63,052)
Capital contributions	178,796	82,000	260,796
Transfers in	489,864	52,421	542,285
Change in net assets	656,359	83,670	740,029
Net assets at beginning of year	3,945,076	2,926,024	6,871,100
Net assets at end of year	\$ 4,601,435	\$ 3,009,694	\$ 7,611,129

See notes to financial statements.

Charter Township of Vienna
Statement of Cash Flows
Proprietary Funds
Business-type Activities - Enterprise Funds
For the Year Ended December 31, 2004

	Sewer Utility	Water Utility	Totals
Cash flows from operating activities			
Receipts from customers and users	\$ 612,130	\$ 443,790	\$ 1,055,920
Payments to vendors	(472,944)	(365,354)	(838,298)
Payments to employees	(41,393)	(18,675)	(60,068)
Net cash provided by operating activities	97,793	59,761	157,554
Cash flows from non-capital financing activities			
Transfers from other funds/component unit	489,864	52,421	542,285
Advances to (from) other funds	85,295	(85,295)	-
Interest on long-term advances to (from) other funds	643	(643)	-
Net cash provided by (used in) non-capital financing activities	575,802	(33,517)	542,285
Cash flows from capital and related financing activities			
Proceeds from capital debt	500,000	-	500,000
Capital contributions	173,459	106,625	280,084
Purchase of capital assets	(889,792)	(25,000)	(914,792)
Principal payments on capital debt	(194,261)	(62,885)	(257,146)
Interest paid on capital debt	(51,557)	(35,385)	(86,942)
Net cash provided by (used in) capital and related financing activities	(462,151)	(16,645)	(478,796)
Cash flows from investing activities			
Interest on investments	3,738	4,084	7,822
Interest on tap-ins	738	3,567	4,305
Net cash provided by investing activities	4,476	7,651	12,127
Net increase in cash and cash equivalents	215,920	17,250	233,170
Cash and cash equivalents - beginning of year	363,258	347,068	710,326
Cash and cash equivalents - end of year	\$ 579,178	\$ 364,318	\$ 943,496
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 34,137	\$ (22,374)	\$ 11,763
Adjustments to reconcile operating loss to net cash provided by operations:			
Depreciation and amortization	67,974	65,295	133,269
Changes in operating assets and liabilities:			
Accounts receivable	(8,881)	2,428	(6,453)
Due from other funds	-	(1,170)	(1,170)
Accounts payable	1,247	10,164	11,411
Due to other funds	1,170	-	1,170
Due to other governments	2,146	5,418	7,564
Net cash provided by operating activities	\$ 97,793	\$ 59,761	\$ 157,554

See notes to financial statements.

**Charter Township of Vienna
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2004**

	Tax Collection Fund
Assets	
Cash and cash equivalents	\$ 3,458,173
Liabilities	
Due to other funds	\$ 7,512
Unallocated taxes	3,450,661
	<hr/>
Total liabilities	\$ 3,458,173
	<hr/>

See notes to financial statements.

Notes to Basic Financial Statements

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

I. Summary of significant accounting policies

A. Reporting entity

The Township of Vienna, Michigan elected Charter Township status in August 1978. The Township provides the following services as authorized by its charter: public safety (police, fire, and inspections), highways and streets, sanitation, public improvements, recreation, planning, and general administrative services.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Discretely presented component units

Business Development Township: The members of the governing board are appointed by the Township supervisor and approved by the Township Board. The Township's operational and capital budgets must be approved by the Township Board. The Township was created on May 23, 1992, under Act 197, Public Act of Michigan, 1975, as amended.

Administrative Office:
Business Development Township of Vienna Township
3400 W. Vienna Road
Clio, Michigan 48420

The following organizations are not included in the Township's annual report as component units, but rather are considered joint ventures.

The organizations have the following characteristics:

Clio Area Library and Clio Area Fire Township

- Financed by other communities besides the Township of Vienna
- Serves several communities outside the Township
- Vienna Township has no obligation to fund deficits of the library or guarantee its debt; nor is it responsible for approving the library's operating budget.

The Clio Library and Fire Township have June 30 and March 31 year ends, respectively. Audited financial statements of both organizations for the years ended June 30, 2004, and March 31, 2004, are available for public inspection at the Charter Township of Vienna.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

I. Summary of significant accounting policies - (continued)

B. Government-wide and fund financial statements

During the year ended December 31, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The new standard requires government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

I. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, income taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Sanitation Fund is used to account for the customer charges which are to be used to pay contracted services for rubbish collection.

The Township reports the following major proprietary funds:

The Water Supply and Sewer Disposal System are separate funds maintained for the operations of the water distribution system and sewage pumping and collection system that transmit the sewage to Genesee County's treatment plant.

Additionally, the Township reports the following fund types:

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are reported as fiduciary funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

I. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Township are reported at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

2. Receivables and payables

In general, outstanding balance between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances to other funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade, notes, contracts and property tax receivables are shown net of an allowance for uncollectibles.

3. Prepaid items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity – (continued)

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two (2) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired during the fiscal year ended December 31, 2004. Prior to the implementation of GASB No. 34, records on these assets were not maintained. The Township has five years to retroactively determine costs and accumulated depreciation for infrastructure assets acquired prior to January 1, 2004 and record those assets on the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water System	60 years
Sewer System	100 years
Machinery and equipment	10 years
Buildings	40 years

5. Accumulated unpaid sick and vacation pay

Employees' unused sick time is paid out in cash at the end of the year. Vacation time may not be carried over. Any remaining vacation time at the end of the year is forfeited.

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity – (continued)

8. Property taxes

The Township levies property taxes on December 1 each year, and are payable without penalty through February 28. These taxes become liens on the property at that date. However, the revenues generated by the tax levy cannot be appropriated until the budget year following the levy date. The asset created by the levy on December 1 is recorded in the appropriate fund as current taxes receivable. In addition, a deferred revenue offset account is recorded recognizing the funds as unavailable for current appropriation. Tax collections made from December 1 through December 31 in the current tax agency fund are recorded as unallocated tax collections. These monies are distributed to the appropriate funds in the ensuing budget year. Revenues generated by the levy of a 1% property tax administrative fee are recognized on a cash basis. Uncollected fees as of December 31, 2004, are recorded as a receivable with an offsetting deferred revenue account in the General Fund.

Property taxes are levied based on assessed values of property located in the Township. Assessed values are established annually and taxable by the state at an estimated 50% of current market value. A comparison of assessed and taxable property values for the 2003 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Factor</u>
Real property	\$ 336,585,900	\$ 272,825,194	
Personal property	18,501,300	18,465,896	
Qualified property	<u>361,200</u>	<u>361,200</u>	
Total	<u>\$ 355,448,400</u>	<u>\$ 291,652,290</u>	<u>1.22</u>

The Township is permitted by charter to levy up to \$5.00 (5 mills) per \$1,000 of taxable value for general governmental services. For the year ended December 31, 2004, the Township levied 4.04 mills. The Township is permitted to levy unlimited amounts for payment of full faith and credit general long-term obligations. There was no debt millage levied for the year ended December 31, 2004,

II. Reconciliation of government-wide and fund financial statements

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ 176,511
Depreciation expense	<u>(88,082)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 88,429</u>

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

III. Stewardship, compliance, and accountability

Budgetary information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to November 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. Informational summaries of projected revenues and expenditures are provided for all other Township funds, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted on a departmental (activity) basis through passage of a resolution in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts, however, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. The amount of encumbrances at year end is not known. Also, all budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Budget appropriations lapse at year-end except for approved contracts which are appropriated on a contract (grant) length basis.

Budgeted amounts are reported on the financial statements as originally adopted or as amended by the Township Board.

IV. Detailed notes on all funds

A. Deposits and investments

The Township's deposits consist of checking and savings accounts and certificates of deposits. At year end, the carrying amount of the Township's deposits was \$1,095,787, excluding petty cash of \$937. The bank balance was \$1,117,704. The book balance was below the bank balance due to outstanding checks at year end. Of the bank balance \$600,000 or 54% was insured and \$517,704 or 46% was uninsured or uncollateralized.

At year end, the carrying amount of the Township's component unit, Business Development Authority, deposits was \$434,732. The bank balance was \$434,732. Of the bank balance, \$100,000 or 23% was insured and \$334,732 or 77% was uninsured or uncollateralized.

State statutes authorize the Township to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments. The Township has adopted the above law as its investment policy, in addition, the Township has authorized the Township Treasurer to invest in any local banking institution.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

At year end, the Township's categorized investment balances were as follows:

	Category			Reported Amount/ Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>	
Repurchase agreements	\$ -	\$ -	\$5,136,843	\$5,136,843
Total categorized	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$5,136,843</u>	
Investments not subject to categorization:				
Mutual funds				<u>185,924</u>
Total investments				<u>\$5,322,767</u>

The Township's investments in government security mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business Type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and cash equivalents	\$ 1,454,918	\$ 943,496	\$ 3,458,173	\$ 5,856,587	\$ 434,732
Investments	<u>562,904</u>	<u>-</u>	<u>-</u>	<u>562,904</u>	<u>-</u>
Total	<u>\$ 2,017,822</u>	<u>\$ 943,496</u>	<u>\$ 3,458,173</u>	<u>\$ 6,419,491</u>	<u>\$ 434,732</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Component Unit
Bank deposits (checking and savings accounts, certificates of deposits)	\$ 1,095,787	\$ -
Investments in securities, mutual funds and similar vehicles	5,322,767	434,732
Petty cash and cash on hand	<u>937</u>	<u>-</u>
Total	<u>\$ 6,419,491</u>	<u>\$ 434,732</u>

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

IV. Detailed notes on all funds – (continued)

B. Receivables

Receivables as of December 31, 2004 for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Sanitation</u>	<u>Nonmajor Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$1,263,296	\$ -	\$ -	\$ -	\$1,263,296
Accounts	83,658	-	263	-	83,921
Special assessments	-	620,432	-	-	620,432
Intergovernmental	185,416	-	-	-	185,416
Gross receivables	1,532,370	620,432	263	-	2,153,065
Less: allowance for uncollectibles	-	-	-	-	-
Net total receivables	<u>\$1,532,370</u>	<u>\$ 620,432</u>	<u>\$ 263</u>	<u>\$ -0-</u>	<u>\$2,153,065</u>

Business-type activities:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Receivables:			
Accounts	\$ 33,638	\$ -	\$ 33,638
Unbilled utility charges	226,173	-	226,173
Delinquent fees	86,995	14,175	101,170
Special assessments	18,650	17,580	36,230
Tap-in contracts	10,856	14,510	25,366
Gross receivables	376,312	46,265	422,577
Less: allowance for uncollectibles	-	-	-
Net total receivables	<u>\$376,312</u>	<u>\$ 46,265</u>	<u>\$422,577</u>

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

IV. Detailed notes on all funds – (continued)

C. Capital assets

Capital asset activity for the year ended December 31, 2004 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 10,170	\$ 123,226	\$ -	\$ 133,396
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	10,170	123,226	-	133,396
Capital assets, being depreciated:				
Buildings	2,391,713	12,974	-	2,404,687
Machinery and equipment	513,286	40,311	-	553,597
Total capital assets being depreciated	2,904,999	53,285	-	2,958,284
Less accumulated depreciation for:				
Buildings	669,313	66,012	-	735,325
Machinery and equipment	365,423	22,070	-	387,493
Total accumulated depreciation	1,034,736	88,082	-	1,122,818
Total capital assets, being depreciated, net	1,870,263	(34,797)	-	1,835,466
Governmental activities capital assets, net	\$ 1,880,433	\$ 88,429	\$ -0-	\$ 1,968,862

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

IV. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

Primary Government – (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	59,973	-	59,973
Total capital assets, not being depreciated	-	59,973	-	59,973
Capital assets, being depreciated:				
Buildings and system	9,848,951	854,822	-	10,703,773
Machinery and equipment	4,275	-	-	4,275
Total capital assets, being depreciated	9,853,226	854,822	-	10,708,048
Less accumulated depreciation for:				
Buildings and system	2,388,864	133,269	-	2,522,133
Machinery and equipment	4,275	-	-	4,275
Total accumulated depreciation	2,393,139	133,269	-	2,526,408
Total capital assets, being depreciated, net	7,460,087	721,553	-	8,181,640
Business-type activities capital assets, net	<u>\$ 7,460,087</u>	<u>\$ 781,526</u>	<u>\$ -0-</u>	<u>\$ 8,241,613</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

General government	\$ 84,075
Public safety	41,988
Public service	<u>17,204</u>

Total depreciation expense – governmental activities	<u>\$143,267</u>
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Business-type activities:

Sewer	\$ 67,974
Water	<u>65,295</u>

Total depreciation expense – business-type activities	<u>\$ 133,269</u>
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Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

IV. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

Discretely presented component units

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-District Authority:				
Capital assets, not being depreciated:				
Land	\$ 15,000-	\$ -	\$ -	\$ 15,000
Total capital assets, not being depreciated	15,000-	-	-	15,000
Capital assets, being depreciated:				
Buildings	14,353	22,547	-	36,900
Equipment	7,816	42,094	-	49,910
Total capital assets, being depreciated	22,169	64,641	-	86,810
Less accumulated depreciation for:				
Buildings	89	872	-	961
Machinery and equipment	452	4,166	-	4,618
Total accumulated depreciation	541	5,038	-	5,579
Total capital assets, being depreciated, net	21,628	59,603	-	81,231
Authority capital assets, net	\$36,628	\$ 59,603	\$ -0-	\$96,231

Land was purchased from the State of Michigan in 2003 for \$15,000 for which the use is restricted as a park for ten years.

D. Interfund receivables, payables, and transfers

The composition of interfund balances at December 31, 2004, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Community Development	\$ 12,344
General	Sewer	154,841
General	Tax	7,512
General	Sanitation	2,250
General	Capital Projects	77,090
Building Inspection	General	490
Debt Service	General	743
Community Development	Water	13,646
Sewer	Community Development	1,302
Water	General	198,022
Water	Sewer	26,690
Total		<u>\$494,930</u>

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

IV. Detailed notes on all funds – (continued)

D. Interfund receivables, payables, and transfers

	Transfer In					
	Retirement Health Care Fund	Building Inspection Fund	Debt Service Fund	Sewer Utility Fund	Water	Total
Transfer out:						
General fund	\$ 40,000	\$ 35,000	\$ 65,000	\$ -	\$ -	\$140,000
Debt Service fund	-	-	-	245,818	52,421	298,239
Business Development Authority	-	-	-	244,046	-	244,046
Total transfers out	<u>\$ 40,000</u>	<u>\$ 35,000</u>	<u>\$ 65,000</u>	<u>\$489,864</u>	<u>\$ 52,421</u>	<u>\$682,285</u>

Transfers between funds were primarily for operating purposes. The transfer between the Business Development Authority and the Sewer Utility fund was for the purpose of constructing a sewer line.

E. Long-term debt

The Township was a participant in the county-wide sanitary sewer and water system construction program. This program was financed by general obligation bonds issued by Genesee County. The Township is obligated to assume the portion of the total debt for the construction of the systems within its boundaries. Significant details regarding the Township's obligations are as follows:

The following is a summary of Business Type long-term debt transactions of the Township for the year ended December 31, 2004:

	General Obligation Contracts	Notes Payables
Business type activities:		
Long-term debt payable at January 1, 2004	\$1,171,305	\$417,457
New Debt:		
Sewer system note payable	-	500,000
Principal payments made	<u>(234,261)</u>	<u>(22,883)</u>
Total business type activities long-term debt at December 31, 2004	<u>937,044</u>	<u>894,574</u>
Total long-term debt - all activities December 31, 2004	<u>\$ 937,044</u>	<u>\$894,574</u>

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

IV. Detailed notes on all funds – (continued)

E. Long-term debt – (continued)

A summary of bond transactions for the year ended December 31, 2004, and the composition of the December 31, 2004, long-term debt balance follows:

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Balance at December 31, 2003</u>	<u>Issuances (Retirements) During Year</u>	<u>Balance at December 31, 2004</u>	<u>Current Portion</u>
Business-Type Activities:						
Genesee County Sewage Disposal System No. 2 Bonds	2008	5.0%	\$ 970,000	\$ (194,000)	\$ 776,000	\$194,000
Genesee County Sewage Disposal Southeast Extensions to System No. 2 Bonds	2008	5.0	1,305	(261)	1,044	261
Genesee County Water Supply System No. 4 Bonds	2008	6.1-6.9	200,000	(40,000)	160,000	40,000
Vienna Meadows Waterline Installment Note	2016	5.44%	112,182	(6,200)	105,982	6,558
Haven Street Waterline Installment Note	2016	5.40	87,897	(4,803)	83,094	5,080
Saginaw Road Waterline Installment Note	2016	5.40	217,378	(11,880)	205,498	12,563
Vienna Road Sanitary Sewer Extension Installment Note	2012	3.00	-	500,000	500,000	62,500
Total business type activities			<u>\$1,588,762</u>	<u>\$ 242,856</u>	<u>\$1,831,618</u>	<u>\$320,962</u>

The water and sewer operating revenues are the primary sources of repayment for the general obligation contracts, and all installment notes except the Vienna Road Sanitary Sewer Extension Installment note. The latter is supported by the Business Development Authority tax increment financing revenues.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

IV. Detailed notes on all funds – (continued)

E. Long-term debt – (continued)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End</u> <u>December 31,</u>	<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 320,962	\$ 86,829
2006	322,290	69,706
2007	323,691	52,110
2008	325,121	34,486
2009	92,464	23,795
2010-2014	363,819	64,784
2015-2016	83,271	6,885
Total	<u>\$1,831,618</u>	<u>\$338,595</u>

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of townships cannot exceed 10% of the assessed real and personal property in the Township. As of December 31, 2004, the Charter Township of Vienna had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempt from consideration in the 10% limit computation.

Act 99, Public Acts of State 1933, authorizes the Township to use installment purchase agreements. However, the contracts outstanding for the Township may not exceed 1.25% of the Township's taxable value. As of December 31, 2004, the Charter Township of Vienna had the following legal debt margin for installment purchase agreements:

Total taxable valuation	<u>\$291,652,290</u>
Debt limit – 1.25 percent of total taxable valuation	\$ 3,645,654
Amount of debt applicable to debt limit	<u>894,574</u>
Unused debt limitation	<u>\$ 2,751,080</u>

V. Other information

A. Retirement plan

The Township has an employer defined contribution pension plan administered by Nationwide Retirement Services, covering substantially all full-time employees. Twelve and one-half (12.5) percent of projected base wages plus administrative costs is contributed to the plan by the Township at the beginning of the year. The employee is required to contribute a minimum of 5%. The Township's policy is to fund pension costs accrued on an annual basis. Employer and employee contributions for the year were \$59,371 and \$23,819, respectively. The pension, as established, does not recognize prior service costs, as it is based exclusively on current compensation earned by participants.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

V. Other information – (continued)

B. Joint ventures

Clio Area Fire Township:

In April 1976, the Charter Township of Vienna entered into a joint venture with the City of Clio and the Township of Thetford to create the Clio Area Fire Township. The purpose of this joint venture was to obtain adequate fire protection for residents of the Township. The agreement calls for each of the three municipalities to pay the Fire Township such amounts as are necessary to cover one-third of the fixed operational costs of the Fire Township. During 1992, the three members approved a 1 mill levy to be collected from their respective property owners, to be used to fund operations of the Township. The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Township, the distribution of equipment or cash equivalent to the withdrawing unit's share shall be determined by unanimous consent of the members. The one mill collected by the Township during 2004 was \$291,627.

The following is a summary of selected financial information from the last available statement of the Clio Area Fire Township:

	<u>Year Ended</u> <u>March 31, 2004</u>
Total assets	\$ 1,472,637
Total liabilities	317,407
Total fund equity	1,155,230
Total revenues	496,008
Total expenditures	491,200

Clio Area Library:

The Clio Area Library was formed by the City of Clio, Charter Township of Vienna, and Thetford Township effective March 20, 1978, replacing the library fund previously operated by the City of Clio.

The Library's operation is funded by contributions made by the participating units. Each unit's contribution is based on the usage rate of the library system by its residents. The contribution paid by Vienna Township during 2004 was \$25,448.

Should any participating municipality decide to withdraw from the Clio Area Library, it is to give written notice and, upon a favorable vote of the majority, will be released from the agreement.

The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Township, the distribution of equipment or cash equivalent to the withdrawing unit's share would be determined by unanimous consent of the members.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

V. Other information – (continued)

B. Joint ventures – (continued)

Clio Area Library – (continued)

The following is selected financial information of the Clio Area Library from the latest audited financial statements:

	<u>Year Ended</u> <u>June 30, 2004</u>
Total assets	\$ 273,484
Total liabilities	-
Total fund equity	273,484
Total revenues	39,096
Total expenditures	49,004

C. Contingent liabilities

The Township participates in a number of federal and state assisted grant programs, principal of which is Community Development Block Grants (CDBG). These programs are subject to program compliance audits. In accordance with the Single Audit Act, a single audit was not required since the Township expended less than \$500,000 in federal funds. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

D. Risk management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for these claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

E. Post-employment benefits

Post-employment benefits are offered in accordance with Public Employee Health Care Fund Investment Act (Act No. 149 of 1999). Employees who meet certain point requirements (based on age and years of service) are eligible to receive post-employment benefits upon retirement in the form of health care, vision, and dental insurance benefits. The Township funds these costs on a pay-as-you-go basis. The amounts are recorded as expenditures when the fund liability is incurred. The benefit amounts incurred totaled \$27,565 during the year ended December 31, 2004. The total number of eligible retirees amounted to 4 individuals at December 31, 2004 with 3 participating. There are no provisions for employee contributions.

Charter Township of Vienna
Notes to Basic Financial Statements
December 31, 2004

V. Other information – (continued)

F. Construction code revenue/expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed the revenues. The Township chose the former presentation. The activity related to construction code activity is shown in the Building Inspection Special Revenue Fund. The remaining fund balance at December 31, 2004 represents excess operating transfers from the Township's General Fund and, therefore, is not reserved.

Required Supplementary Information

Charter Township of Vienna
General Fund
Statements of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Favorable
				(Unfavorable)
Revenues				
Taxes	\$ 1,081,000	\$ 1,081,000	\$ 1,118,250	\$ 37,250
Licenses and permits	6,500	6,500	7,808	1,308
Intergovernmental:				
State	1,126,000	1,126,000	1,018,295	(107,705)
Charges for services	232,300	232,300	271,639	39,339
Sale of fixed assets	1,000	1,000	6,099	5,099
Interest income	12,000	12,000	16,808	4,808
Miscellaneous	164,500	164,500	172,592	8,092
Total revenues	2,623,300	2,623,300	2,611,491	(11,809)
Expenditures				
Current:				
General government:				
Township Board	203,200	219,600	190,772	28,828
Supervisor	73,300	73,300	65,621	7,679
Assessor	130,700	128,600	118,923	9,677
Elections	13,150	13,200	9,923	3,277
Clerk	67,700	67,700	58,131	9,569
Treasurer	71,300	71,300	62,490	8,810
Township hall and grounds	64,000	81,400	67,297	14,103
Cemetery	19,100	19,100	13,666	5,434
Planning department	53,900	56,500	50,549	5,951
Public safety:				
Police	831,700	915,800	878,055	37,745
Fire	290,000	291,700	291,627	73
Public service	591,000	417,300	410,134	7,166
Total expenditures	2,409,050	2,355,500	2,217,188	138,312
Excess of revenue over expenditures	214,250	267,800	394,303	126,503
Other financing uses				
Transfers out	(212,600)	(187,600)	(140,000)	47,600
Total other financing uses	(212,600)	(187,600)	(140,000)	47,600
Net change in fund balance	1,650	80,200	254,303	174,103
Fund balance at beginning of year	1,575,176	1,575,176	1,575,176	-
Fund balance at end of year	\$ 1,576,826	\$ 1,655,376	\$ 1,829,479	\$ 174,103

Note - The budget is prepared in accordance with generally accepted accounting principles.

Charter Township of Vienna
Sanitation Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2004

Sanitation Fund			
	Budgeted Amounts		Variance with
	Original	Final	Final Budget - Under (Over)
Revenues			
Customer assessments	\$ 600,000	\$ 600,000	\$ 620,235
Interest	3,000	3,000	2,025
Miscellaneous	4,100	4,100	4,733
			633
Total revenues	607,100	607,100	626,993
			19,893
Expenditures			
Current:			
Sanitation	607,300	608,500	607,577
			923
Total expenditures	607,300	608,500	607,577
			923
Net change in fund balance	(200)	(1,400)	19,416
			20,816
Fund balance at beginning of year	649,017	649,017	649,017
			-
Fund balance at end of year	\$ 648,817	\$ 647,617	\$ 668,433
			\$ 20,816

Note - The budget is prepared in accordance with generally accepted accounting principles.

Supplemental Section

**Charter Township of Vienna
Nonmajor Governmental Funds
Summary Descriptions
December 31, 2004**

The Township reports the following nonmajor governmental funds:

Special Revenue Funds:

Community Development Block Grant Program Fund – This fund is used to account for revenues earned and expenditures incurred by the Township as a sub-grantee of the Community Development Block Grant Program. The program includes projects for street paving, sidewalk construction, waterline improvements and other capital outlay.

Building Inspection Fund – To account for revenues and expenditures related to the Building Inspection activities.

Retirement Health Care Benefit Fund – This fund is used to account for charges for services to other funds which are to be used to pay retiree health care benefits.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Project Fund:

Capital Projects Fund – This fund is used to account for financial resources used for the construction of major capital improvements.

**Charter Township of Vienna
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004**

	Special Revenue		
	Community Development	Building Inspection	Retirement Health Care Benefit
Assets			
Cash and cash equivalents	\$ -	\$ 3,731	\$ 3,607
Investments	-	-	62,187
Accounts receivable	-	263	-
Due from other funds	13,646	490	-
Total assets	\$ 13,646	\$ 4,484	\$ 65,794
Liabilities			
Accounts payable	\$ -	\$ 998	\$ -
Due to other funds	13,646	-	-
Total liabilities	13,646	998	-
Fund Balances			
Unreserved:			
Designated for retirement health care benefit	-	-	65,794
Undesignated	-	3,486	-
Total fund balances	-	3,486	65,794
Total liabilities and fund balances	\$ 13,646	\$ 4,484	\$ 65,794

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Debt Service	Capital Projects	Funds
\$ 8,469	\$ 65,737	\$ 81,544
-	204,626	266,813
-	-	263
743	-	14,879
<u>\$ 9,212</u>	<u>\$ 270,363</u>	<u>\$ 363,499</u>

\$ -	\$ -	\$ 998
-	77,090	90,736
-	77,090	91,734

-	-	65,794
9,212	193,273	205,971
9,212	193,273	271,765
<u>\$ 9,212</u>	<u>\$ 270,363</u>	<u>\$ 363,499</u>

Charter Township of Vienna
Combining Statements of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2004

		Special Revenue		
		Community Development	Building Inspection	Retirement Health Care Benefit
Revenues				
Taxes		\$ -	\$ -	\$ -
Licenses and permits		-	160,243	-
Intergovernmental:				
Federal		12,820	-	-
Interest		-	74	2,364
Miscellaneous		-	2,162	-
	Total revenues	12,820	162,479	2,364
Expenditures				
Current:				
Public safety		-	203,689	-
Public service		12,820	-	-
Retirement benefits		-	-	27,565
Debt service:				
Interest and fiscal charges		-	-	-
	Total expenditures	12,820	203,689	27,565
	Excess (deficiency) of revenues over expenditures	-	(41,210)	(25,201)
Other financing sources				
Transfers in		-	35,000	40,000
Transfers out		-	-	-
	Total other financing sources	-	35,000	40,000
	Net change in fund balances	-	(6,210)	14,799
Fund balances at beginning of year		-	9,696	50,995
Fund balance at end of year		\$ - 0 -	\$ 3,486	\$ 65,794

<u>Debt Service</u>	<u>Capital Projects</u>	
Debt Service	Capital Projects	Total Nonmajor Governmental Funds
\$ 1,299	\$ -	\$ 1,299
-	-	160,243
-	-	12,820
533	6,858	9,829
-	-	2,162
1,832	6,858	186,353
-	-	203,689
-	124,451	137,271
-	-	27,565
1,476	-	1,476
1,476	124,451	370,001
356	(117,593)	(183,648)
65,000	-	140,000
(298,239)	-	(298,239)
(233,239)	-	(158,239)
(232,883)	(117,593)	(341,887)
242,095	310,866	613,652
\$ 9,212	\$ 193,273	\$ 271,765

Charter Township of Vienna
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Funds
Year Ended December 31, 2004

Community Development				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Under (Over)
Revenues				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal	-	-	12,820	12,820
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	12,820	12,820
Expenditures				
Current:				
Public safety	-	-	-	-
Public service	-	12,820	12,820	-
Retirement benefits	-	-	-	-
Total expenditures	-	12,820	12,820	-
Excess (deficiency) of reveues over expenditures	-	(12,820)	-	12,820
Other financing sources				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	-	(12,820)	-	12,820
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ - 0 -	\$ (12,820)	\$ - 0 -	\$ 12,820

Building Inspection Fund				Retirement Health Care Benefit Fund			
Budgeted Amounts		Actual Amounts	Variance with Final Budget - Under (Over)	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Under (Over)
Original	Final			Original	Final		
\$ 148,000	\$ 148,000	\$ 160,243	\$ 12,243	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
100	100	74	(26)	500	500	2,364	1,864
100	100	2,162	2,062	-	-	-	-
148,200	148,200	162,479	14,279	500	500	2,364	1,864
230,800	227,900	203,689	24,211	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	29,100	29,100	27,565	1,535
230,800	227,900	203,689	24,211	29,100	29,100	27,565	1,535
(82,600)	(79,700)	(41,210)	38,490	(28,600)	(28,600)	(25,201)	3,399
82,600	82,600	35,000	(47,600)	40,000	40,000	40,000	-
82,600	82,600	35,000	(47,600)	40,000	40,000	40,000	-
-	2,900	(6,210)	(9,110)	11,400	11,400	14,799	3,399
9,696	9,696	9,696	-	50,995	50,995	50,995	-
\$ 9,696	\$ 12,596	\$ 3,486	\$ (9,110)	\$ 62,395	\$ 62,395	\$ 65,794	\$ 3,399

**Charter Township of Vienna
Agency Fund - Tax Collection
Statement of Changes in Assets and Liabilities
Year Ended December 31, 2004**

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Assets				
Cash and cash equivalents	\$ 1,175,453	\$ 10,891,823	\$ 8,609,103	\$ 3,458,173
Liabilities				
Due to other funds	\$ 7,512	\$ -	\$ -	\$ 7,512
Unallocated taxes	1,167,941	10,891,823	8,609,103	3,450,661
Total liabilities	\$ 1,175,453	\$ 10,891,823	\$ 8,609,103	\$ 3,458,173

**Charter Township of Vienna
Annual Debt Service Requirements on
Long-Term Debt**

Year Ended

12-31-2005	\$ 284,020
12-31-2006	269,802
12-31-2007	255,585
12-31-2008	<u>241,369</u>

\$ 1,050,776

Principal
Interest

\$ 937,044
113,732

\$ 1,050,776

Charter Township of Vienna
Genesee County Sewage Disposal System No. 2 Bonds
Vienna Township Arm
Schedule of Bond and Interest Requirements

Original issue: \$4,221,000

<u>Year Ended</u>	<u>Debt Service Requirement</u>	<u>Interest</u>		<u>Principal May 1</u>	<u>Township Share 97% Balance</u>
		<u>May 1</u>	<u>November 1</u>		
					\$ 776,000
12-31-2005	\$ 234,061	\$ 22,892	\$ 17,169	\$ 194,000	582,000
12-31-2006	222,615	17,169	11,446	194,000	388,000
12-31-2007	211,169	11,446	5,723	194,000	194,000
12-31-2008	199,723	5,723	-	194,000	-
	<u>\$ 867,568</u>	<u>\$ 57,230</u>	<u>\$ 34,338</u>	<u>\$ 776,000</u>	

5% interest rate

**Charter Township of Vienna
Genesee County Sewage Disposal Bonds
Southeast Extensions to System No. 2
Schedule of Bond and Interest Requirements**

Original issue: \$6,525

<u>Year Ended</u>	<u>Debt Service Requirement</u>	<u>Interest</u>		<u>Principal May 1</u>	<u>Township Share 0.261% Balance</u>
		<u>May 1</u>	<u>November 1</u>		
12-31-2005	\$ 299	\$ 22	\$ 16	\$ 261	\$ 1,044
12-31-2006	287	16	10	261	783
12-31-2007	276	10	5	261	522
12-31-2008	266	5	-	261	261
					-
	<u>\$ 1,128</u>	<u>\$ 53</u>	<u>\$ 31</u>	<u>\$ 1,044</u>	

5% interest rate

**Charter Township of Vienna
Genesee County Water Supply System No. 4
Wilson - Jennings - Neff Road Extension
Schedule of Bond and Interest Requirements**

Original issue: \$790,000

<u>Year Ended</u>	<u>Debt Service Requirement</u>	<u>Interest</u>		<u>Principal April 1</u>	<u>Balance</u>
		<u>October 1</u>	<u>April 1</u>		
					\$ 160,000
12-31-2005	\$ 49,660	\$ 4,140	\$ 5,520	\$ 40,000	120,000
12-31-2006	46,900	2,760	4,140	40,000	80,000
12-31-2007	44,140	1,380	2,760	40,000	40,000
12-31-2008	41,380	-	1,380	40,000	-
	<u>\$ 182,080</u>	<u>\$ 8,280</u>	<u>\$ 13,800</u>	<u>\$ 160,000</u>	

Interest rate ranging from 6.1% to 6.9%

**Charter Township of Vienna
Vienna Meadows Waterline
Installment Note Payable
Schedule of Principal and Interest Requirements**

Original note - \$125,000

<u>Year Ended</u>	<u>Debt Service Requirement</u>	<u>Interest March 31</u>	<u>Principal March 31</u>	<u>Balance</u>
				\$ 105,982
12-31-2005	\$ 12,404	\$ 5,846	\$ 6,558	99,424
12-31-2006	12,404	5,484	6,920	92,504
12-31-2007	12,404	5,102	7,302	85,202
12-31-2008	12,404	4,712	7,692	77,510
12-31-2009	12,404	4,275	8,129	69,387
12-31-2010	12,404	3,827	8,577	60,804
12-31-2011	12,404	3,354	9,050	51,754
12-31-2012	12,404	2,862	9,542	42,212
12-31-2013	12,404	2,328	10,076	32,136
12-31-2014	12,404	1,773	10,631	21,505
12-31-2015	12,404	1,186	11,218	10,287
12-31-2016	10,856	569	10,287	-
	<u>\$ 147,300</u>	<u>\$ 41,318</u>	<u>\$ 105,982</u>	

5.44% interest rate

**Charter Township of Vienna
Haven Street Waterline
Installment Note Payable
Schedule of Principal and Interest Requirements**

Original note - \$99,308

<u>Year Ended</u>	<u>Debt Service Requirement</u>	<u>Interest March 31</u>	<u>Principal March 31</u>	<u>Balance</u>
				\$ 83,093
12-31-2005	\$ 9,629	\$ 4,549	\$ 5,080	78,013
12-31-2006	9,629	4,271	5,358	72,655
12-31-2007	9,629	3,978	5,651	67,004
12-31-2008	9,629	3,678	5,951	61,053
12-31-2009	9,629	3,342	6,287	54,766
12-31-2010	9,629	2,998	6,631	48,135
12-31-2011	9,629	2,635	6,994	41,141
12-31-2012	9,629	2,258	7,371	33,770
12-31-2013	9,629	1,849	7,780	25,990
12-31-2014	9,629	1,423	8,206	17,784
12-31-2015	9,629	973	8,656	9,128
12-31-2016	9,634	506	9,128	-
	<u>\$ 115,553</u>	<u>\$ 32,460</u>	<u>\$ 83,093</u>	

5.4% interest rate

**Charter Township of Vienna
Saginaw Road Waterline
Installment Note Payable
Schedule of Principal and Interest Requirements**

Original note - \$245,597

<u>Year Ended</u>	<u>Debt Service Requirement</u>	<u>Interest March 31</u>	<u>Principal March 31</u>	<u>Balance</u>
				\$ 205,498
12-31-2005	\$ 23,814	\$ 11,251	\$ 12,563	192,935
12-31-2006	23,814	10,563	13,251	179,684
12-31-2007	23,814	9,837	13,977	165,709
12-31-2008	23,814	9,097	14,717	150,990
12-31-2009	23,814	8,266	15,548	135,442
12-31-2010	23,814	7,415	16,399	119,043
12-31-2011	23,814	6,517	17,297	101,746
12-31-2012	23,814	5,586	18,228	83,518
12-31-2013	23,814	4,572	19,242	64,276
12-31-2014	23,814	3,519	20,295	43,981
12-31-2015	23,814	2,408	21,406	22,575
12-31-2016	23,818	1,243	22,575	-
	<u>\$ 285,772</u>	<u>\$ 80,274</u>	<u>\$ 205,498</u>	

5.4% interest rate

Charter Township of Vienna
Vienna Road/M-57 Sanitary Sewer Extension
Installment Note Payable
Schedule of Principal and Interest Requirements

Original note - \$500,000

<u>Year Ended</u>	<u>Debt Service Requirement</u>	<u>Interest April 1</u>	<u>Principal April 1</u>	<u>Balance</u>
				\$ 500,000
12-31-2005	\$ 77,924	\$ 15,424	\$ 62,500	437,500
12-31-2006	76,347	13,847	62,500	375,000
12-31-2007	74,369	11,869	62,500	312,500
12-31-2008	72,391	9,891	62,500	250,000
12-31-2009	70,412	7,912	62,500	187,500
12-31-2010	68,434	5,934	62,500	125,000
12-31-2011	66,456	3,956	62,500	62,500
12-31-2012	64,478	1,978	62,500	-
	<u>\$ 570,811</u>	<u>\$ 70,811</u>	<u>\$ 500,000</u>	

3.12% interest rate

March 17, 2005

To the Honorable Members of the Township
Board of the Charter Township of Vienna

We have audited the basic financial statements of Charter Township of Vienna for the year ended December 31, 2004, and have issued our report thereon dated March 17, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated October 27, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Charter Township of Vienna. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Vienna are described in Note 1 to the basic financial statements. The Township adopted a new fixed asset capitalization policy during 2004. The policy is described in Note 1.D.4 in the notes to the basic financial statements. We noted no transactions entered into by Charter Township of Vienna during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the lives of fixed assets used in the enterprise fund. We evaluated the lives used and feel that they are reasonable in relation to the proprietary fund-type financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed audit adjustments relating to accounts receivable, fixed assets, and contributed capital that could, in our judgment, either individually or in the aggregate, have a significant effect on the Charter Township of Vienna's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management (primarily the Township Deputy Treasurer) each year prior to retention as the Charter Township of Vienna's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To The Honorable Members of the Township
Board of the Charter Township of Vienna
March 17, 2005
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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Other Comments

GASB 34

The Township adopted the new accounting standard for financial reporting, GASB 34. We want to commend the Township on its successful completion of the Management Discussion and Analysis (MD&A) required by the standard and also the background work to complete the capital asset reporting for the Township. The MD&A was most comprehensive.

GASB 45- Other Post-employment Benefit Reporting

We want to make the Board aware that the Governmental Accounting Standards Board also issued a new accounting standard regarding the proper reporting of a liability for any "Other Post-employment Benefits" (OPEB) that government provides. Essentially, this standard will require the Township in the future to obtain an actuarial valuation which will calculate the OPEB liability on a full accrual basis. The Township has ample time to implement the standard as it is effective to the Township (due its size) starting with years beginning after December 15, 2008.

We want to thank the Township staff for their cooperation and courtesy afforded us during the audit. We want also to thank the Township Board for the opportunity to serve as the Township's independent auditors.

This report is intended solely for the information of the Charter Township of Vienna and the State of Michigan, and is not intended to be and should not be used by anyone other than those specified parties.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office